

BUSINESS & LABOR
EXHIBIT NO. 7
DATE 1-11-13
BILL NO. SB 20

DIRECT SELLING ASSOCIATION

1667 K Street, NW, Suite 1100, Washington, DC 20006-1660
202/452-8866 • Fax 202/452-9010
www.dsa.org

January 11, 2013

Montana Senate Business, Labor & Economic Affairs Committee

Re: Montana SB 20

Dear Business, Labor & Economic Affairs Committee:

The Direct Selling Association (DSA) would like to voice its support for SB 20 as currently amended, which is available for your consideration. The bill provides for registration of multilevel distribution companies; requires a registration fee and establishes what constitutes fraudulent or prohibited practices for multilevel distribution companies.

The Direct Selling Association is the national trade association representing companies that sell their products and services by personal presentation and demonstration, usually in the home. These direct selling companies, with close to 16 million individual American direct sellers, generate nearly \$30 billion each year in domestic sales and \$115 billion in worldwide sales. The over 74,000 Montanans who sell for these companies are independent contractors who typically sell on a part-time basis to their neighbors, relatives and friends to supplement their family incomes, generating approximately \$114 million in sales each year in Montana.

Of particular interest to the industry is a provision in SB 20 requiring an annual registration for multilevel distribution companies, coupled with a \$200 annual fee. As currently amended, members in good standing of DSA would be exempt from the registration and annual fee requirement. Before any company becomes a member of DSA, the company undergoes a rigorous, year-long review process conducted to ensure each member meets DSA's high standards for consumer protection and ethical business practices. This process includes reviewing the company's compensation structure, marketing materials, order forms, receipts, policies and procedures, independent contractors agreements, and numerous other items. Once approved as a DSA member, each member is subject to a similar review once every three years to ensure members continue to meet DSA's high standards. In addition, every DSA member is required to abide by DSA's strict Code of Ethics (www.dsa.org/ethics).

Absent the exemption for DSA members, DSA is concerned SB 20 would create more onerous registration requirements that would be borne by those companies operating legitimate multilevel distribution companies in Montana rather than those companies fraudulently operating illegal pyramid schemes.

DSA understands and supports Montana's efforts to ensure its consumers are protected from unlawful businesses and looks forward to working with the state to help achieve that goal. The Direct Selling Association encourages you to vote in support of SB 20 as amended.

Sincerely,



Valerie Hayes, CAE
Senior Director, Global Regulatory Affairs

More than 16 million Americans have one thing in common—they are direct sellers. Many of them also live in your state. Look inside to find out more about the economic and social impact of

DIRECT SELLING

www.dsa.org



DIRECT SELLING ASSOCIATION



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Valerie Hayes
Senior Director, Global
Regulatory Affairs
202-416-6408 Direct
vhayes@dsa.org

1667 K Street, NW
Suite 1100
Washington, DC 20006
202-452-8866
202-452-9010 Fax



DIRECT SELLING ASSOCIATION

Direct Selling: Providing Opportunity and Empowerment

What is Direct Selling?

In direct selling, products or services are marketed to customers by independent salespeople in a person-to-person manner away from a fixed retail location. Depending on the company, the salespeople may be called distributors, representatives, consultants or various other titles. Products are sold primarily through in-home demonstrations, parties or one-to-one selling.

Who is Involved in Direct Selling?

Nearly 16 million people are involved in direct selling in the U.S., and about 91 million participate worldwide. A vast majority of U.S. direct sellers are women. Direct sellers are independent contractors—micro-entrepreneurs whose purpose is to sell the products and/or services of the company they voluntarily choose to represent. More than 90 percent of all direct sellers operate their businesses part time.

Benefits of Direct Selling

Individuals from all walks of life, and with a wide variety of goals and motivations, become direct sellers. While some direct sellers pursue their businesses as a full-time career, most work less than 10 hours per week; they enjoy the flexibility of direct selling and the ability to earn supplemental income. And the benefits go far beyond financial—many direct sellers value the social contact and recognition they gain from their direct selling efforts.

Products and Services

Virtually every consumer product or service can be purchased through direct selling. People who purchase through direct selling cite product quality, uniqueness and money-back guarantees as the top reasons for shopping through direct selling. Consumers particularly enjoy the personal service they receive when shopping this way.

**There are nearly
16 million direct sellers in
the United States—about 12
million of them are women.**



Key Statistics

- Approximate number of direct sellers per Congressional District: 36,000
- Approximate annual retail sales per Congressional District: \$68.7 million
- Total annual economic impact of direct selling: \$72 billion
- Estimated federal/state/local tax revenue generated by direct selling companies: \$6.6 billion
- Total charitable donations made annually by direct selling companies: \$90 million

Retail sales and congressional district data from the DSA Growth & Opportunity Salesforce Survey (representing "active-engaged" sellers). Other DSA by Ernst & Young.

Direct Sellers are Independent Contractors Committed to Sound Business Practices

- **Direct sellers are independent contractors**, not employees, who decide how to manage their own time and businesses, and have been consistently treated as such under the law.
- In 1983 Congress provided direct sellers with statutory status and **recognition as non-employees** in the Internal Revenue Code to ensure direct sellers are treated as independent contractors.
- Direct sellers **are diligent about paying their taxes** and the Direct Selling Association works with the Internal Revenue Service to provide direct sellers with tax-related information that is unique to the direct sales channel.
- **Direct sellers primarily sell their products through neighbors, friends and relatives**—individuals with whom they already have a relationship and who trust them to be honest and transparent in their business transactions.

- Through a commitment to self-regulation and a vigorous enforcement of a membership-wide Code of Ethics, **a culture of consumer protection** and high ethical standards has been established for the direct sales channel that has been embraced by the DSA membership.
- **Direct sellers are guests** in people's homes, schools and offices. They take their responsibilities seriously and apply the highest professional and ethical standards to their business relationships.

Affiliated Organizations



The **Direct Selling Education Foundation** is a not-for-profit public foundation dedicated to serving the public interest by advancing the direct selling industry's support of consumer rights and protection, education about the industry, ethical leadership and individual economic empowerment.
www.dsef.org



The **World Federation of Direct Selling Associations** is a non-governmental, voluntary organization globally representing the direct selling industry as a federation of national direct selling associations. www.wfdsa.org

Statistics

14% of direct sellers are Hispanic; 7% of direct sellers are African American
77% of direct sellers are married; 54% of direct sellers have children under 18
58% of direct sellers work another job
The median annual net income of an active direct seller is \$1,500
U.S. sales in 2011 were \$29.9 billion; worldwide sales were \$154 billion
More than 73% of the American public has purchased goods or services through direct selling

Survey: Direct Selling in 2011, Salesforce data from the 2008 National Survey of Direct Selling, and statistics from the 2004 Socio-Economic Impact Study conducted for

**Interested in learning more
about direct selling?**

Direct Selling Association
www.dsa.org
www.directselling411.com

or contact our offices at
(202) 452-8866

1667 K Street, NW, Suite 1100
Washington, DC 20006



DIRECT SELLING ASSOCIATION

A State-by-State Listing of DSA Member Companies

ALABAMA

Initial Outfitters
Willow House

ARIZONA

FreeLife International
Gold Canyon
Isagenix International
Orenda International, LLC
TriVita, Inc.

ARKANSAS

Blessings Unlimited

CALIFORNIA

Arbonne International, LLC
Beachbody LLC
Become International, Inc.
Beijo, Inc.
Belcorp USA
Cookie Lee, Inc.
Enagic USA Inc.
For Every Home
Gano Excel USA, Inc.
Gigi Hill, Inc.
Global Domains
International, Inc.
GNLD International
Herbalife
JAFRA Cosmetics
International, Inc.
Life Force International
LifeWave, Inc.
Nefful U.S.A., Inc.
Nikken, Inc.
Noevir USA, Inc.
Pink Papaya, LLC
POLA U.S.A., Inc.
Rodan + Fields Dermatologists
SeneGence International
Shaklee Corporation
Smart Living Company
Stella & Dot
Stemtech HealthSciences, Inc.
Sunrider International
Symmetry Corporation
Vantani, Inc.
WineShop At Home
YOR Health

COLORADO

Rendi, Ltd.
Tomboy Tools, Inc.

CONNECTICUT

Viridian Network, LLC

DELAWARE

Traci Lynn Fashion Jewelry

FLORIDA

Amazon Herb Company
Carico International
GeneWize Life Sciences, Inc.

FLORIDA (CONT'D.)

Jeunesse Global
Lifemax, Inc.
The Limu Company, LLC
SwissJust
Talk Fusion
Team National
Vorwerk USA Co., L.P.

GEORGIA

Aloette Cosmetics, Inc.
Initials, Inc.
Maddy Moo Creations
Primerica, Inc.

IDAHO

Kyani
Melaleuca, Inc.
Oxyfresh.com/21Ten Inc.
Scentsy, Inc.

ILLINOIS

AtHome America Corporation
John Amico Haircare Products
lia sophia
The Pampered Chef
Paperly
Signature HomeStyles
Votré Vu
World Book, Inc.

IOWA

Lionne Designs
Simply Said, LLC

KANSAS

The Fuller Brush Company
Silpada Designs

MARYLAND

Take Shape for Life, Inc.-
Medifast

MASSACHUSETTS

Barefoot Books
Celadon Road, Inc.
PartyLite Gifts, Inc.
Phoenix Trading
Princess House, Inc.
Traveling Vineyard
Vantel Pearls in the Oyster
Zyrra

MICHIGAN

Amway
Clever Container
Demarle At Home, Inc.
Essential Bodywear
Loving Works, LLC
Rexair LLC

MINNESOTA

Aihu, Inc.
Conklin Company, Inc.
Creative Memories

MINNESOTA (CONT'D.)

Daisy Blue Naturals
Enzacta USA
Tastefully Simple, Inc.
Thrivent Financial at Home

MISSOURI

Jordan Essentials
Reliv International, Inc.
U Design Jewelry

NEW HAMPSHIRE

Soul Purpose Lifestyle, Inc.

NEW JERSEY

Dove Chocolate Discoveries
Rastelli Direct

NEW YORK

SLINX Enterprises, Inc.
All Dazzle
Avon Products, Inc.
CUTCO/Vector
Marketing Corporation

HTE USA
Stanley Home Products
Tealightful Inc.

NORTH CAROLINA

ACN, Inc.
AZULI SKYE
Dudley Beauty Corp, LLC

OHIO

Gourmet Coffee Stations
The Kirby Company
The Longaberger Company
Thirty-One Gifts

OKLAHOMA

AMS Health Sciences Inc.
Usborne Books and More

OREGON

Simplexity Health

PENNSYLVANIA

3000BC
H2O at Home
PM-International Nutrition and
Cosmetics
Sabika, Inc.
Set to a Tea

RHODE ISLAND

Latasia & Company
Touchstone Crystal, Inc.
Wildtree Herbs, Inc.

SOUTH DAKOTA

Fifth Avenue Collection, Inc.

TENNESSEE

NSA
Southwestern Advantage

TEXAS

AdvoCare International, LP
Ambit Energy
Avalla
Celebrating Home
HomeTec
Kitchen Fair (Regal Ware, Inc.)
Mannatech, Inc.
Mary Kay Inc.
Mia Mariu
NHT Global, Inc.
Premier Designs, Inc.
RBC Life
Saladmaster, Inc.
(Regal Ware, Inc.)
Sozo Global, LLC
Sportron International, Inc.
Stream Cosmetics, LLC
Tristar Enterprises, LLC
Vollara, LLC
Zermat International, LLC

UTAH

4Life Research, LLC
Agel Enterprises, LLC
Big Planet (Division of Nu
Skin Enterprises)
LifeVantage Corporation
Morinda Bioactives
Nature's Sunshine
Products, Inc.
Neways Worldwide
Nu Skin Enterprises
Pharmanex (Division of Nu
Skin Enterprises)
Send Out Cards
Stampin' Up!
Synergy WorldWide
Unicity International, Inc.
USANA Health Sciences, Inc.
XANGO LLC
Zrii

VIRGINIA

Aerus LLC (formerly
Electrolux LLC)

WASHINGTON

Rena Ware International, Inc.
SimplyFun, LLC
Univera

WISCONSIN

DeTech, Inc.
Hy Cite Corporation
Jockey Person To Person
L'Bri Pure N' Natural
Regal Ware, Inc.